

**REPORT OF THE AUDIT OF THE
HARDIN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARDIN COUNTY SHERIFF

**For The Year Ended
December 31, 2004**

The Auditor of Public Accounts has completed the Hardin County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Hardin County Sheriff had total receipts of \$2,415,004, which was a \$270,513 increase from the prior year. Except for reimbursed expenses in the amount of \$1,456,219 and fiscal court contributions of \$400,000, the sheriff paid 25% of receipts to the Hardin County Fiscal Court in the amount of \$219,209. This was an increase of \$13,946 from the prior year. In addition, disbursements in the operating fund increased by \$200,743.

Report Comment:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The Sheriff's deposits were undercollateralized by bank securities or bonds leaving \$127,141 unsecured and uninsured at January 15, 2004.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry Berry, Hardin County Judge/Executive
Honorable Charlie Williams, Hardin County Sheriff
Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Sheriff of Hardin County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2004. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2005, on our consideration of Hardin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Harry Berry, Hardin County Judge/Executive
Honorable Charlie Williams, Hardin County Sheriff
Members of the Hardin County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Hardin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 18, 2005

HARDIN COUNTY
CHARLIE WILLIAMS, COUNTY SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

Federal Grants:

Drug Task Force Grant	\$ 21,885	
Body Armor Grant	<u>5,083</u>	\$ 26,968

State Grants:

KLEFPF Incentive Pay	\$ 110,907	
Highway Safety Grant	<u>14,640</u>	125,547

State Fees for Services:

Finance and Administration Cabinet	\$ 409,312	
Cabinet for Human Resources	<u>11,730</u>	421,042

Circuit Court Clerk		28,333
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Fiscal Court		628,874
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County Clerk		22,405
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Commission on Taxes		835,693
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Fees Collected for Services:

Auto Inspections	\$ 52,209	
Accident /Police Reports	53	
Serving Papers	100,918	
Concealed Weapon License Fees	27,900	
Concealed Weapon License Photos	2,060	
Sheriff's Advertising Fees - Taxes	12,585	
Sheriff's Add-On Penalties - Taxes	110,241	
Executions	<u>4,083</u>	310,049

Other Revenues:

Interest Earned	\$ 13,341	
Miscellaneous	<u>2,752</u>	<u>16,093</u>

Total Revenues		<u>\$ 2,415,004</u>
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The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
 CHARLIE WILLIAMS, COUNTY SHERIFF
 STATEMENT OF REVENUES AND EXPENDITURES - REGUALTORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Expenditures

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$	14,420
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Other Expenditures:

Executions	\$	3,740	
Extraditions		<u>52,605</u>	56,345

Payments Made by County:

Law Enforcement Equipment		<u>11,182</u>
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Total Allowable Expenditures	\$	<u>81,947</u>
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Net Revenues	\$	2,333,057
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Payments to State Treasurer:

75% Operating Fund	\$	2,113,848	
25% County Fund		<u>219,209</u>	<u>2,333,057</u>

Balance Due at Completion of Audit	\$	<u><u>0</u></u>
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The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
 CHARLIE WILLIAMS, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2004

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2004	\$ (29,215)	\$	\$ (29,215)
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	2,113,848		2,113,848
Fees Paid to State - County Funds (25%)		219,209	219,209
Total Funds Available	\$ 2,084,633	\$ 219,209	\$ 2,303,842
<u>Expenditures</u>			
Hardin County Government	\$	\$ 219,209	\$ 219,209
Personnel Services-			
Official's Statutory Maximum	80,418		80,418
Deputies' Salaries	1,158,297		1,158,297
Employee Benefits-			
Social Security	83,454		83,454
Retirement	236,259		236,259
Health Insurance	63,679		63,679
Life Insurance	922		922
Sheriff Training	1,546		1,546
Contracted Services-			
Advertising	29,789		29,789
Pager Service	364		364
Supplies and Materials-			
Office Materials and Supplies	32,566		32,566
Uniforms	15,013		15,013
Law Enforcement Supplies	6,530		6,530

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
 CHARLIE WILLIAMS, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Auto Expenses-			
Gasoline	\$ 43,848	\$	\$ 43,848
Maintenance and Repairs	35,828		35,828
Other Charges-			
Bonds, Insurance, and Dues	102,782		102,782
Postage	647		647
Telephone	22,297		22,297
Video Arraignment	7,640		7,640
Radio Maintenance	5,311		5,311
Mileage	4,798		4,798
Transporting Prisoners	16,784		16,784
Training	2,355		2,355
Utilities	358		358
Parking Fees	260		260
Miscellaneous	1,929		1,929
Capital Outlay-			
Vehicles	86,723		86,723
Communication Equipment	372		372
Office Equipment	3,554		3,554
Computer Hardware	1,181		1,181
Total Expenditures	2,045,504	219,209	2,264,713
Fund Balance - December 31, 2004	\$ 39,129	\$ 0	\$ 39,129

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
CHARLIE WILLIAMS, COUNTY SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent for the first six months and 22.08 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of January 15, 2004, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$127,141 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of January 15, 2004.

HARDIN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2004
 (Continued)

Note 3. Deposits (Continued)

	<u>Bank Balance</u>
FDIC insured	\$ 200,000
Collateralized with securities held by pledging depository institution in the county official's name	24,223,090
Uncollateralized and uninsured	<u>127,141</u>
Total	<u>\$ 24,550,231</u>

Note 4. Lease Agreement

The office of the County Sheriff was committed to a lease agreement with Pitney Bowes Credit Corporation for a copier. The agreement requires a monthly payment of \$188 for 60 months to be completed on October 30, 2006. The total balance of the agreement was \$4,324 as of December 31, 2004.

Note 5. Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Hardin County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). Under the program, grant funding is available as incentive pay through the Commonwealth of Kentucky Department of Criminal Justice Training. Per KRS 15.460, an eligible officer is entitled to receive an annual maximum of \$3,100. During 2004, the Hardin County Sheriff's office received and expended \$110,907 of these funds.

Note 6. DARE Fund

The Sheriff maintains a Drug Awareness Resistance Education (DARE) Fund, which had a beginning balance of \$3,639. During 2004, receipts were \$979 and disbursements were \$954, leaving a balance at December 31, 2004 of \$3,664.

Note 7. Drug Fund

The Sheriff maintains a drug fund, which had a beginning balance of \$10,852. During 2004, receipts were \$260 and disbursements were \$5,871, leaving a balance at December 31, 2004 of \$5,241.

Note 8. Triad Fund

The Sheriff maintained a TRIAD fund, which had a beginning balance of \$459. During 2004, receipts were \$0 and disbursements were \$459. The Sheriff closed the TRIAD fund in June 2004.

Note 9. Federal Grant

The Sheriff received federal drug seizure funds from the United States Department of Justice in the amount of \$12,387 during the period January 6, 2003 through December 31, 2003. The unexpended grant balance at January 1, 2004, was \$5,725. Funds totaling \$5,725 were expended during 2004, leaving an unexpended balance of \$0 as of December 31, 2004.

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COMMENT AND RECOMMENDATION

HARDIN COUNTY
CHARLIE WILLIAMS, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2004

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On January 15, 2004, \$127,141 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response: We will contact our bank & insure that this will not happen again.

PRIOR YEAR:

No comments and recommendations were presented in the prior year audit.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry Berry, Hardin County Judge/Executive
Honorable Charlie Williams, Hardin County Sheriff
Members of the Hardin County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Hardin County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated November 18, 2005. The County Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Sheriff's financial statements for the year ended December 31, 2004, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 18, 2005

